

Test Bank for Entrepreneurship An Innovators Guide to Startups  
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**Chapter 2: Defining the Target Customer**

**Multiple Choice Questions (answer is denoted by an asterisk)**

1. Identifying the unmet needs of customers in a target market allows you to:
  - a. Determine competitive solutions
  - b. Determine if a market opportunity exists\*
  - c. Make a distribution decision
  - d. Compile accurate financial information
  
2. What is the last step to bridge the industry sector to target market?
  - a. To understand what a customer does and how they use your product\*
  - b. To understand the environment in which customers use your product
  - c. To understand the influences impacting your industry
  - d. To understand the competitive arena
  
3. What is white space?
  - a. A place where funding is available

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- b. The concept of growing into new customers
  - c. Space on a visual map that reveals a new market opportunity\*
  - d. The initial concept of your venture
4. For the chocolate example in the book, examples of new market opportunities for the company included:
- a. Selling custom printed M&Ms for different types of occasions
  - b. Great tasting energy bars
  - c. Healthy, nutritionally tuned snacks for the elderly
  - d. All of the above\*
5. What characterizes an emerging niche market?
- a. No customers are willing to try new products
  - b. There are no customers in this niche
  - c. There is no current niche
  - d. No companies are addressing the needs of customers \*
6. Why is it important to identify segments with innovative customers?
- a. So R&D becomes more expensive
  - b. So you can save money on distribution
  - c. So different distribution opportunities become available
  - d. Because innovative customers are more likely to try new products\*
7. What is an end-user?
- a. The person who buys your product
  - b. The person who uses the product\*
  - c. The person who sells the product
  - d. The person who offers product support

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8. In the farming of the future example in the book, who has become the most interesting "persona" as top priority target customer?
  - a. The Steady Eddy Farmer, who has worked his farm for thirty plus years
  - b. The Up and Comer Farmer, who tends to be younger and a heavy user of technology
  - c. The Sun Downer, who is a part time farmer
  - d. The Livestock Farmer, whose main focus is raising cattle
  
9. A customer who is stuck on a problem and desperate for help is likely to?
  - a. Look for a cheap solution to their problem
  - b. Be open to a new solution and pay a high price\*
  - c. Wait for a solution to come along
  - d. Avoid seeking out a new solution
  
10. An addressable market\_\_\_\_\_.
  - a. is the size of the industry
  - b. are the companies competing in an industry
  - c. are customers in a market
  - d. is the size, value, and spending of customers within a specific industry\*
  
11. What is a characteristic of a market segment?
  - a. Customers have different needs
  - b. Customers live in different areas
  - c. Customers have similar core needs\*
  - d. Customers look for different alternatives
  
12. What are useful segmentation variables for a B2C customer and a B2B customer?
  - a. Age and gender

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- b. Gender and size of business\*
  - c. Income and education
  - d. Lifestyle and family size
13. Successful startups typically
- a. try to be all things to all people.
  - b. use mass marketing.
  - c. target a specific industry segment or niche.\*
  - d. try to invest the least in acquiring customers.
14. Successful entrepreneurs tend to
- a. take complicated approaches to market segmentation.
  - b. avoid the segmentation issue.
  - c. keep segmentation simple and powerful.\*
  - d. target all segments.
15. What are customer attitudes?
- a. Specific desires and frustrations
  - b. Cognitive values or belief systems of end-users and buyers\*
  - c. Physical activities surrounding the use case
  - d. Demographic variables
16. What are customer behaviors?
- a. Demographic variables
  - b. Specific desires and frustrations
  - c. Cognitive values or belief systems
  - d. Physical activities surrounding the use case\*
17. What is a key characteristic of a customer segment of a market?

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- a. Customers within that segment have different core needs
  - b. Customers within that segment are homogeneous\*
  - c. Customers are considered a mass market
  - d. Customers within the segment behave differently
18. Innovative customers
- a. are cautious about adopting new products, services, or experiences.
  - b. drag out the buying decision process.
  - c. are less cautious about adopting new products, services, or experiences.\*
  - d. are the same as laggards.
19. In general, successful entrepreneurs
- a. always start capital intensive businesses.
  - b. create a powerful brand backed by an equally powerful product or service that dramatically improves the customer experience.\*
  - c. typically try to offer new solutions that are 20 percent better than existing solutions.
  - d. do not care about what competitors do in the marketplace.
20. In a business to business venture entrepreneurs typically can segment customers by a. i & ii\*
- b. i & iii
  - c. ii & iii
  - d. i, ii & iii
    - i. Industry segments or niches
    - ii. Size of Company
    - iii. Knowing managers in target customer companies
21. What is not considered a vertical market?
- a. Banking
  - b. Manufacturing

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- c. Running \*
  - d. Financial Services
22. Customer segmentation should be: Meaningful, Measureable, and \_\_\_\_\_
- a. Adjustable
  - b. Actionable\*
  - c. Important
  - d. None of the above
23. What would not be a good axes for a customer segmentation grid?
- a. Age Groups
  - b. Genders
  - c. Predicted Industry Growth\*
  - d. Income
24. Customers who are willing to give their time to help design & test a solution are often called: a.
- Testers
- b. Fools
  - c. Lead Users\*
  - d. Developers
25. The combination of the target industry segment/niche, the target customer with that industry area, and the amount of revenue that can be generated is called the:
- a. Target Market
  - b. Profit Market
  - c. User Market
  - d. Addressable Market\*

### Essay Questions:

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1. Why is customer segmentation so very important in crafting the strategy for a new venture? How does that segmentation provide a focus for different activities within the business? Give an example, say for a travel company.
2. Why is it important to try to find innovative customers to start a company – particularly for a B2B venture? What are the different ways that such customers can help an entrepreneur? If you are having trouble thinking of an example, you can take use the case of a software company trying in some way to help doctors improve the care of their patients when they are not in the hospital.
3. Give an example of a simple customer segmentation for a B2C product – such as sneakers; and then, give another example for a B2B service, such as tax accounting/auditing for different businesses. Sketch a customer segmentation framework for each example.